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USAID Evaluation Highlight No. 50

Strengthening the Public-Private Partnership: An Assessment of USAID's Management of PVO/NGO Activities

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Summary

In 1993-94 USAID's Center for Development Information and Evaluation assessed the Agency's working relationship with some of its key development partners-U.S. private voluntary organizations (PVOs) and indigenous nongovernmental organizations (NGOs).^{*} The assessment examined a number of management areas, such as registration, negotiation, and implementation, and developed options for improved USAID management.

The study finds the biggest problem with the Agency's partnership with PVOs and NGOs to be inconsistent management of grants and cooperative agreements. The inconsistency is due primarily to the failure of USAID staff to apply partnership principles. Time and again during interviews the assessment team heard the comment "It depends on the project officer." USAID staff appear knowledgeable about the technical differences between grants, contracts, and cooperative agreements. In practice, though, the distinctions are blurred or ignored, often leading to imposition of unnecessary or excessive management controls.

To address the problem of inconsistent grant management, USAID staff must work with PVOs and NGOs more as partners. USAID can take four steps in this regard:

Model and communicate to staff those management principles that reinforce the importance of collaboration with USAID's development partners

Develop an improved incentive system to recognize project officer excellence in working in partnership with PVOs and NGOs

^{*}Technically, both U.S. and indigenous organizations can be considered "PVOs" if they meet specific criteria related to their private status and voluntary nature and if they are registered with USAID as PVOs. For ease of reference, however, the term "PVO" is used here to mean a U.S.-based not-for-profit organization engaged in international development work. "NGO" is defined as an indigenous not-for-profit organization, regardless of the USAID registration status.

Offer more training for USAID staff to ensure consistent application of USAID regulations, procedures, and management principles

Consider developing a project officer certification program to ensure that officers have the requisite knowledge and skills to manage PVO/NGO activities

Background

For almost 5 decades USAID and its predecessors have worked with PVOs in providing humanitarian and development assistance. The Agency first turned to PVOs to handle short-term disaster relief and food distribution. Over the past 2 decades the Agency has worked with NGOs indigenous to the countries where the Agency operates. Gradually, the scope of PVO and NGO work has broadened to programs aimed at the root causes of poverty and vulnerability to disasters.

In recent years many donors, academics, development professionals, and members of Congress have recommended that PVOs and NGOs play a larger role in development efforts and in advocacy roles. They reason that use of grass-roots citizen groups is the best approach to accomplishing many development objectives.

Study Approach

The assessment examined the working relationship between USAID and the PVO/NGO communities and suggested ways for Agency policymakers and project managers to improve that relationship. Thus the study looked at *how* USAID, PVOs, and NGOs do business. That is, *processes* were examined, as opposed to the development impact of PVO and NGO activities. A total of 22 development professionals collected data for the assessment. They included researchers, PVO/NGO experts, and seasoned USAID employees. Research, U.S.- and field-based interviews, analysis, and report preparation took place over 1 year, from September 1993 to September 1994.

Most information was collected through structured interviews with 259 PVO, NGO, and USAID staff in Bangladesh, Guatemala, Mali, Mexico, Poland, Senegal, South Africa, Swaziland, and the United States. Interview topics included use of various funding instruments, location of USAID manager (USAID/Washington or a field Mission), requirements for PVO registration, negotiation of grants and cooperative agreements, general implementation concerns, approval and reporting requirements, and financial management.

The study also gathered information on several other facets of the USAID–PVO/NGO relationship. These included sustainability, other donors' work with NGOs, use of financial intermediaries or "umbrellas," and PVO/NGO collaboration in establishing USAID development strategies. Evaluators collected information on these topics through literature review and supplementary field interviews.

Findings

With respect to specific management areas, the assessment found the following:

Inconsistency in choice of funding instrument and inappropriate and inconsistent use of associated monitoring and reporting are major implementation problems. The choice of funding instrument for USAID-financed PVO and NGO activities appears to depend more on the personality or management style of the project officer than on Agency policies and procedures. "It depends on the project officer," respondents observed repeatedly. In any case, regardless of the funding instrument used, most respondents believe that implementation success depends primarily on the capabilities of the implementer.

The respective roles of USAID/Washington and Mission staff are not clear in the management of activities funded by USAID/W. A number of USAID/W offices award grants and cooperative agreements that may cover activities in several countries or regions. The division of responsibility in reviewing, approving, managing, and monitoring these activities often is not clear. Also, Missions often do not seem to know much about USAID/W-funded activities being implemented in their respective countries.

NGOs have a difficult time meeting registration requirements, particularly those for accounting and financial management. Registration is a legal requirement for U.S. and indigenous organizations that meet specific criteria of private status and voluntary nature. Many NGOs recognize the rationale for registration and see some internal management benefits as a result of completing the registration process. Nevertheless, they find the registration process slow, complex, and costly. They often become overwhelmed by the requirements.

Pre-award reviews are a valuable tool in assessing organizations' capability to manage USAID funds. Conducted by USAID staff, pre-award reviews examine the proposed recipient's operations, such as its personnel, procurement, and financial management systems. Because pre-award reviews were not an explicit target of the assessment, the extent to which they are used throughout the Agency is unknown. Spontaneous interview comments suggest, however, that pre-award reviews are valuable in measuring organizational capability. Consistent use of these reviews, where applicable, would help USAID determine the management capability of potential funding recipients and could lessen the need for extensive implementation reviews and approvals.

Negotiation of grants and cooperative agreements works best when USAID uses a team approach or when one staff member is designated as the contact person. Many NGOs and PVOs noted that USAID has no consistent structure for the negotiation process. In some cases, only project officers are involved. In others, the project officer, contracts officer, and others negotiate with the PVO or NGO, either together or in separate meetings. But negotiations go more smoothly when the Agency uses a team approach or when there is a single USAID contact person.

Similarly, in project implementation, NGO and PVO staff prefer to interact with one USAID contact person, preferably the project officer. NGOs and PVOs are concerned about the number

of USAID staff with whom they must regularly interact. Most PVOs and NGOs say they continually have to deal with a number of different staff members on various project issues. They find this confusing.

USAID regulations are too complex for small organizations to quickly digest. Many NGOs report they receive little or no administrative orientation from USAID before the start of their activity. Thus they are unprepared for the challenge of meeting USAID's administrative requirements.

Many NGOs and PVOs do not understand USAID's approvals system and see the reporting requirements as excessive. For example, it's unclear which approvals are mandatory and who has authority to grant approvals. Implementers argue that too much seems to depend on the personal preferences of USAID project officers. (In August 1994, USAID made several changes in implementation approval and reporting requirements. The changes should reduce or eliminate many repetitive implementation approvals.)

USAID's financial reporting requirements are seen as excessive and time consuming. Comments in this regard seem to come mainly from the one third of implementers who say they are required to submit monthly financial reports. (Monthly reports are a requirement of the "reimbursement" method of financing. This method is reserved for implementers who do not meet the stricter financial management criteria for obtaining advances of funds.) In addition, many NGOs feel that reporting requirements are disproportionate to the level of funding and the nature of project tasks. Small grants, they point out, have the same financial reporting requirements as do large ones.

NGOs see audits as a positive management tool. They take this position even though implementers in general complain about the frequency and expense of audits, especially for small awards. (It should be noted, though, that USAID recently relaxed its audit requirements for NGOs receiving direct USAID funding. NGOs receiving less than \$100,000 a year per agreement in direct USAID funding [up to a total of \$250,000 a year] no longer are required to undergo an annual audit of the entire organization.)

PVOs and NGOs would like the Agency to stress the importance of, and provide funding for, regular activity evaluations. These can provide a basis for making midproject corrections, measuring project impact, and providing guidance for future programs.

Neither PVOs nor NGOs are consulted extensively in the development of the Agency's global and country strategies. Both would like more opportunities for dialogue with USAID on strategy development. Factors that need to be considered during planning of an activity include determining strength of community demand for proposed services or benefits, host government attitudes toward NGO/PVO activities, and capabilities of proposed implementers. (The Agency's climate for strategic collaboration with PVOs and NGOs has, it should be said, recently improved, with more opportunities for PVO/NGO dialogue with USAID Missions and USAID/Washington.)

Umbrella activities can be a useful way to reach larger numbers of NGOs, and well-designed umbrella activities can minimize USAID's management burden. Umbrella activities involve a USAID award to a lead organization, which then makes subgrants to a number of NGOs and

PVOs. Capacity building of subgrantees is an increasingly important part of umbrella activities. Some USAID staff favor umbrella activities because they require managing one grant instead of several. However, there are circumstances when direct partnerships with NGOs are necessary or desirable (for example, when there is a shared interest in changing a government policy), and then direct funding of NGOs is more appropriate.

On the one hand, USAID's strengths in comparison with other donors are its in-country presence and ability to directly fund indigenous NGO activities. On the other hand, the Agency is seen as paying insufficient attention to NGO capacity-building and sustainability. It is also faulted for taking a short-term approach to project funding. Such an approach can jeopardize sustainability and development of NGO organizational capacity. Some donors provide indirect funding to indigenous NGOs through a donor country NGO, and most have cost-sharing requirements. In addition, the consortium approach of some donors is a useful method for multiple donor funding of indigenous NGOs. It promises both greater efficiency and a more strategic approach to building NGO capacity.

Management Recommendations

There are four areas in which the Agency can make management changes. They are as follows:

Addressing Inconsistent Management

As has been shown, a pervasive problem is the inconsistency of USAID staff in managing grants and cooperative agreements. Although staff appear knowledgeable about technical differences between funding instruments, in practice these differences often are ignored. Preferences of individual project officers, rather than requirements of specific funding instruments, seem to determine how individual activities are managed. (Recognition of this problem does not minimize the many positive contributions of project officers in managing PVO/NGO activities. In fact, good project officers can greatly ease the administrative burden of USAID procedures on PVOs and NGOs.)

Overall, the Agency needs to provide clearer guidance on the use of each funding instrument and the necessary controls associated with each—for example, with cooperative agreements, drawing the line between substantive *programmatic* involvement and administrative micromanagement. USAID can take four specific steps to develop its staff capacity to manage NGO and PVO activities more consistently and equitably. They are:

Reinforce collaborative management. Senior managers should make concerted efforts to model and communicate to USAID staff management principles that stress the importance of collaborating with the Agency's development partners.

Structure an incentive system. As part of USAID's reengineering efforts, senior managers should develop an improved incentive system that recognizes and rewards facilitative, results-oriented project officers for their excellence in working in partnership with NGOs and PVOs.

Provide additional training. Additional staff training, particularly of project officers, is needed to ensure that there is reasonable consistency worldwide in applying USAID regulations and procedures to the various funding agreements. Training could include results-oriented project management. It would concentrate on customers and partnerships and on interpersonal skills.

Certify project officers to work with PVOs/NGOs. Agency managers should consider developing a certification program for project officers. It should be similar to the certification program for contracts officers and ensure that project staff have the requisite knowledge and skills for managing PVO/NGO activities.

Making Necessary Policy Changes

Senior managers should review current policy regarding indigenous NGOs in three ways:

Review and simplify NGO registration. Current legislation requires USAID to register indigenous NGOs that meet the criteria for classification as PVOs. Given the Agency's emphasis on increased direct funding of NGO activities, current registration requirements for NGOs should be reviewed and simplified.

Clarify which requirements of the Office of Management and Budget (OMB) are essential for NGOs. As a matter of policy, the Agency has determined that OMB circulars pertaining to management of grants and cooperative agreements apply to NGOs as well as PVOs. Keeping in mind the importance of sound management principles and recognizing the need for NGO institutional strengthening, the Agency should review the current OMB requirements to determine which ones are truly essential for application to indigenous NGOs. The Agency should release NGOs from any inappropriate or unproductive management requirements.

Investigate country-level donor consortia. To provide more funding options for indigenous NGOs and streamline their reporting requirements, USAID should investigate the possibility of joining or establishing country-level donor consortia to provide joint funding for NGO activities.

Immediate Actions Senior Managers Can Take

In addition to addressing the problem of USAID officers' inconsistent grants management, many other changes can be made to improve management of PVO/NGO activities. There are several ways the Agency's senior managers-at field Missions or in Washington-can help strengthen the Agency's partnership with the PVO and NGO communities. Senior managers can implement the following suggestions without waiting for any revisions to existing policy or procedures:

Ensure regular consultation with PVOs/NGOs. PVOs are well known for their experience in international development. Senior managers can systematically tap PVO expertise by regularly including them in discussions on USAID's global and country development strategies. Senior managers also can encourage NGO participation in country strategy development by formalizing a local consultation process.

Provide longer term funding for capacity building. When capacity building is identified as an activity objective, senior managers should consider providing longer term funding (5 years or more) to recipients. They also should ensure that the activity includes appropriate, measurable objectives in institution strengthening.

Establish a single point of contact. Senior managers should encourage a team approach within the Mission for project design, negotiation, and implementation. To facilitate smooth communication, senior managers can establish one point of contact for the PVO or NGO, preferably the project officer.

Immediate Actions Project Officers Can Take

Project officers can take immediate steps to build NGO/PVO capacity, help empower NGOs, support networking, and strengthen the design and implementation of NGO and PVO activities. The suggestions below require no changes to existing Agency policies or procedures.

Encourage networking. Project officers can foster NGO development by encouraging seasoned NGOs and PVOs to serve as informal mentors for newer, smaller organizations. They also can encourage development of networks of NGOs/PVOs working in the same country or the same sector.

Provide more funding opportunities. Project officers can help broaden USAID's range of partners by providing more funding opportunities for smaller, inexperienced NGOs or PVOs. They also can set up programs exclusively for those that have never received USAID funding. For example, small grants (or subgrants) can be given to help less experienced organizations develop needed skills (such as in financial management) for working with larger awards.

Use more support grants. In addition to making small initial awards to new or inexperienced organizations, project officers can consider increasing the use of support grants—that is, providing funding to an organization's broad portfolio of activities instead of funding individual activities.

Include capacity building as an objective. Project officers can help strengthen NGOs and PVOs, when appropriate, by including capacity-building activities in Mission strategic plans as Mission "program outcomes" or "intermediate results." Adequate human and financial resources for capacity building also should be included in activity budgets.

Strengthen NGO financial management skills. Project officers can help strengthen NGO financial management skills in several ways. These include using pre-award reviews to assess existing management capability, starting with small initial awards, and arranging for experienced organizations to provide financial management services to smaller organizations.

Focus on activity design. Ensuring participation of the activity's beneficiaries ("customers") and attending to sustainability concerns during activity design are two ways to increase the likelihood of success. During activity design, USAID project officers also should concentrate on establishing

measurable indicators. In this way both officers and implementers can focus on activity outcome rather than on process.

Use “umbrellas” more strategically. Project officers should consider more strategic use of umbrella mechanisms, especially when institutional strengthening of NGOs is desired. In addition, they can foster NGO development by selecting experienced PVOs and NGOs as lead organizations for umbrella activities.

Better educate NGOs and PVOs about USAID. By providing regular orientation sessions, project officers can more effectively educate NGO and PVO implementers about USAID’s minimum accountability requirements and differences in funding instruments. These sessions should be held with NGO funding recipients before signing funding agreements as well as during project implementation.

Include funds for evaluation. To assess implementation progress and problems and to document project achievements, project officers should regularly include funds for evaluation in activity budgets. Having a wide range of PVO/NGO evaluations broadens the knowledge base for PVO, NGO, and USAID project planners. In this way, lessons learned from earlier activities can be incorporated into new ones.

Clarify implementer roles. To ensure that implementation proceeds smoothly, project officers, before signing a funding agreement, should see to it that the roles of all implementation parties are well defined.

Use prudent management. Project officers should follow the principles of "prudent management," which emphasize placing the fewest necessary controls on implementers. When project requirements are clearly defined and agreed to before the start of an activity, there is less need for micromanagement. The recipient can concentrate on implementation.

This Evaluation Highlights was prepared by Patricia L. Jordan, a program officer in USAID’s Center for Development Information and Evaluation. It summarizes the findings of a forthcoming USAID Program and Operations Assessment Report, *Strengthening the Public-Private Partnership: An Assessment of USAID’s Management of PVO/NGO Activities*, which assesses the Agency’s management of USAID-funded PVO and NGO activities. Reports may be ordered from the DISC, 1611 North Kent Street, Suite 200, Arlington VA 22209-2111; telephone (703) 351-4006; fax (703) 351-4039; Internet docorder@disc.mhs.compuserve.com.